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February 10, 2000

VIA HAND DELIVERY

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-B204F
Washington, D.C. 20554

Re: WT Docket No. 99-217; Promotion of Competitive Markets in Local Telecommunications Markets; Cox Communications, Inc.
ORAL EX PARTE PRESENTATION

Dear Ms. Salas:

On Wednesday, February 10, 2000, Alexandra M. Wilson, Chief Policy Counsel, Cox Enterprises, Inc. and the undersigned met with David Furth, Senior Counsel of the Wireless Telecommunications Bureau and Jeffrey Steinberg, Deputy Chief of the Bureau's Commercial Wireless Division. During that meeting, we discussed issues raised in comments filed on October 12, 1999 by Cox Communications, Inc. in the record of the above-referenced proceeding. We specifically discussed issues confronting Cox's use of public rights-of-way for placement of the network powering units necessary to provide lifeline telephony services over Cox's cable television facilities. In addition, Cox presented the enclosed magazine article describing the history and strategy of the its telephony services.

Pursuant to Section 1.1206(b) of the Commission's Rules, an original and one copy of this letter are being submitted to the Secretary's office and copies are being provided to the Commission participants in the meeting.

Very truly yours,

Barbara S. Esbin

Barbara S. Esbin
Counsel for Cox Communications, Inc.

BSE/rb
Enclosure
cc (w/encl.): Mr. David Furth
Mr. Jeffrey Steinberg

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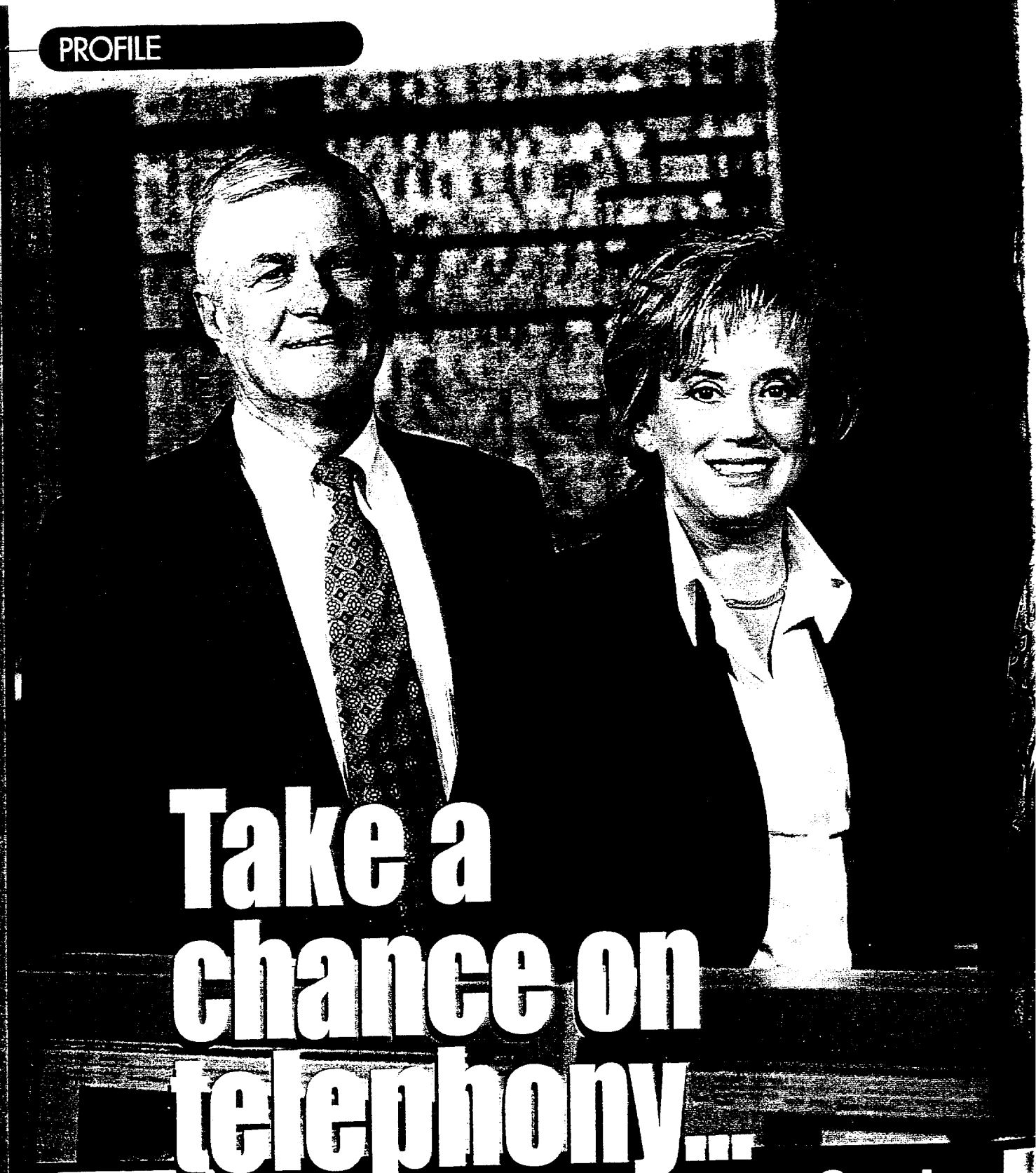
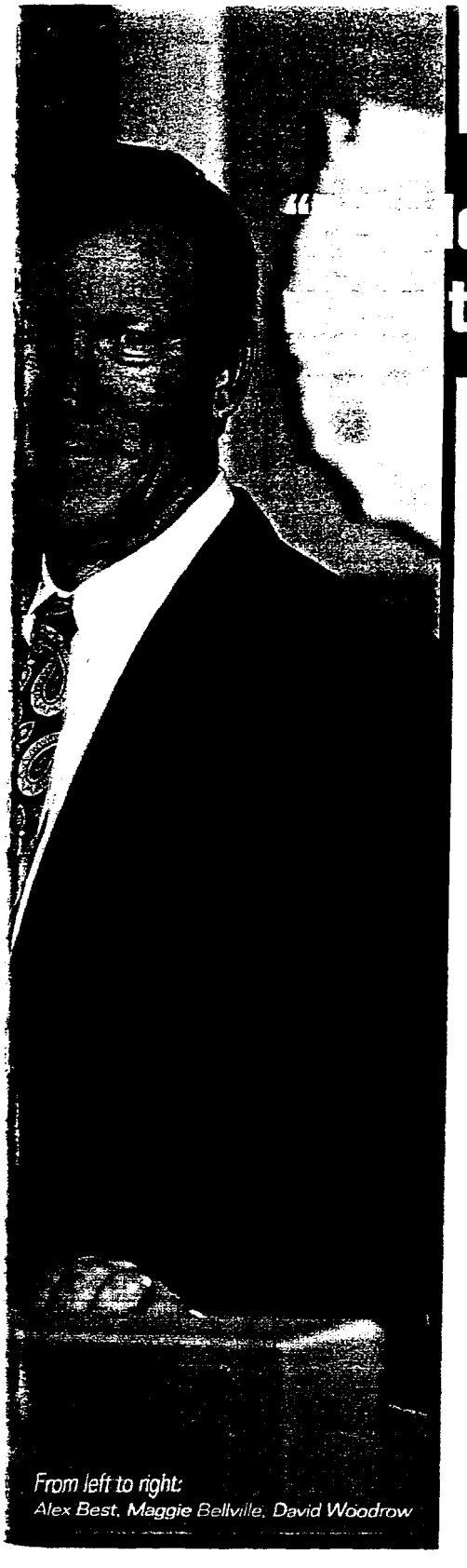


Take a chance on telephony...

...Cox is.

Offering cable TV to telephony and Internet access, the company has evolved into an all-in-one provider that has kept churn low

KELLY CARROLL



From left to right:
Alex Best, Maggie Bellville, David Woodrow

"e usually do not die they make mistakes," says Dave Woodrow, Cox Communications senior vice president of business, echoing the sentiments of the company's higher-ups.

For anyone who strays from what is comfortable to seek something new, this statement could be of some assistance. In Woodrow's experience, it is more than that—it's a principle his team relied on when they catapulted Cox into the telephony market nearly three years ago. Offering cable telephony was considered a risk, but it was just one of many that would drive the company toward becoming a national player with a local presence. "We were positioned differently than other companies. And we were willing to take more risks," Woodrow says.

With its roots firmly planted in communications—from newspapers and radio to cable TV (CATV) and telephony—Cox has grown into a unique player in the explosive telecommunications industry. With an infrastructure built to deliver multiple services over one pipe, Cox is aiming to give the RBOCs a run for their money.

A history made in California

It could be said that Cox's founding father James M. Cox was a risk taker. He had dabbled in teaching and reporting for the Cincinnati Enquirer before he purchased the Dayton Evening News in 1898. This marked the beginning of his career in communications. He went on to become the first three-term governor of Ohio, who subsequently was elected as the Democratic Party's candidate for president in 1920. His running mate was Franklin Delano Roosevelt. The Cox/FDR team lost to Warren G. Harding, however.

After his foray into politics, Cox threw himself into radio broadcasting—first in Ohio and then in Atlanta after acquiring The Atlanta Journal, which included WSB radio. It was not until 1962, after Cox's son took over the growing media company, that CATV became part of the business. Cox then purchased cable systems in California, Oregon, Pennsylvania and Washington.

Given its forward-thinking founder, perhaps it's not too surprising that Cox was toying with telephony about four years before the Telecommunications Act of 1996 was passed. In 1992, Cox was the first cable company to invest in the alternate access business in the form of Teleport Communications Group, which more than a year ago became part of AT&T's local services network unit.

Cox's investment in Teleport was its springboard to offering telephony.

"We started to like the phone business and realized it was doable with our plant," Woodrow says. Cox claims to have made the first wireless PCS phone call using cable infrastructure in 1992. One year later, it was delivering cable and telephone service in the U.K. through a partnership with SBC CableComms, which later merged with the U.K.'s largest cable and telephone operator, TeleWest.

Although Cox already had gained telephony experience, the Telecom Act of 1996 enabled it to make cable telephony a full-blown reality in the U.S. Besides launching Cox@Home in Orange County, Calif., in 1996, it partnered with Frontier Corp. to offer long-distance phone service. Then in 1997, Cox's Orange County cable operation became the first in the U.S. to be upgraded for high-speed Internet access, local and long-distance switched telephone service and digital video over one network.

"It has not been as easy as we thought it would be, but it is promising to be a valid and robust network," Woodrow says.

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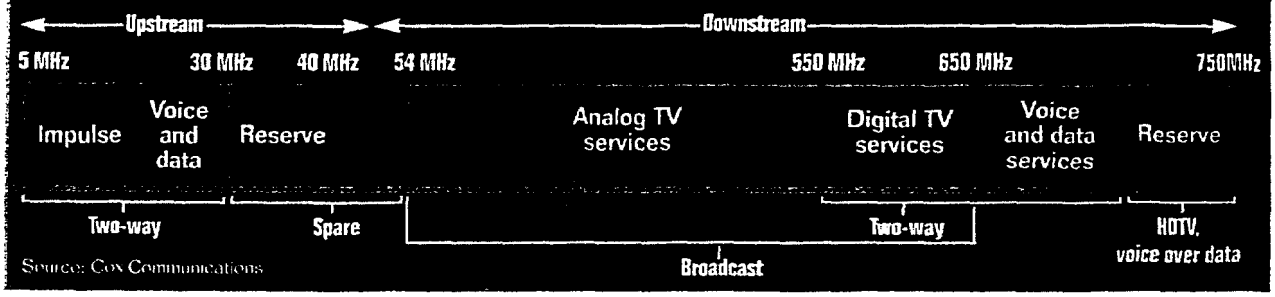
FIGURE 1
BREAKING DOWN THE BANDWIDTH



Source: Cox Communications

Carrying telephony

Although Cox's infrastructure clearly could support telephony on top of other services, challenges would emerge. While the different services each reside on a different spectrum of the cable plant (Figure 1), making space less of an issue, CATV historically has not had a backup power source. Therefore, when power would go out, customers just assumed that the TV would not work. For cable to be accepted as a telephony option, Cox and other cable companies offering telephony, such as MediaOne (see sidebar on page 26), had to determine how to ensure that customers would not lose their lifeline telephony service.

Cox's solution is to install a box, or network interface unit, on the side of a house with the cable attached on one side and the copper wires to the home on the other side (Figure 2). If power is lost, it is replenished by generators, which are attached to the natural gas lines in each service area. Although it has been time-consuming to convince certain communities to allow generators to be installed, Cox considers the process critical.

Therefore, a home is not phone-ready until the network can provide the service Cox wants it to provide, says Alex Best, senior vice president of engineering for Cox. "Having non-interruptible power in place is the biggest challenge related to getting homes phone-ready."

After working at the company for 14 years, Best is confident that the network is engineered to carry telephony and other services over the same pipe. But to compete with the RBOCs, the network must be reliable. "If we wanted to be in the telephony business, we needed to provide service as good—if not better than—the RBOCs," Best says.

One way to improve on the RBOC offerings is to provide more services. "When you upgrade a cable system, you make a significant investment in the plant," Best says. "To maximize the return, a company needs to offer as many services as it can."

But Cox is careful not to overload the network. Fiber runs from the plant in each service area directly to the nodes. To avoid crowding a particular node, the company will not install more than 1000 homes per node, with 750 the average. Nortel Networks' DMS 500 switch is installed at the headend and talks to the box on the side of the home. The data is sent back up the cable to the headend equipment and transformed into voice.

Not much innovation was necessary to go forward. "We did not have to invent anything new. We just had to make sure the network worked as we expected and that it was reliable," Woodrow says.

Able cable

Cox currently offers telephony services in its Atlanta; Hampton, Va.; Phoenix; Meriden, Conn.; Omaha; Orange County and San Diego, Calif., markets. It also is upgrading the majority of its other cable plants to handle voice traffic. "Telephony rounds out our product mix so that we can become a true communication choice in the market," says Maggie Bellville, senior vice

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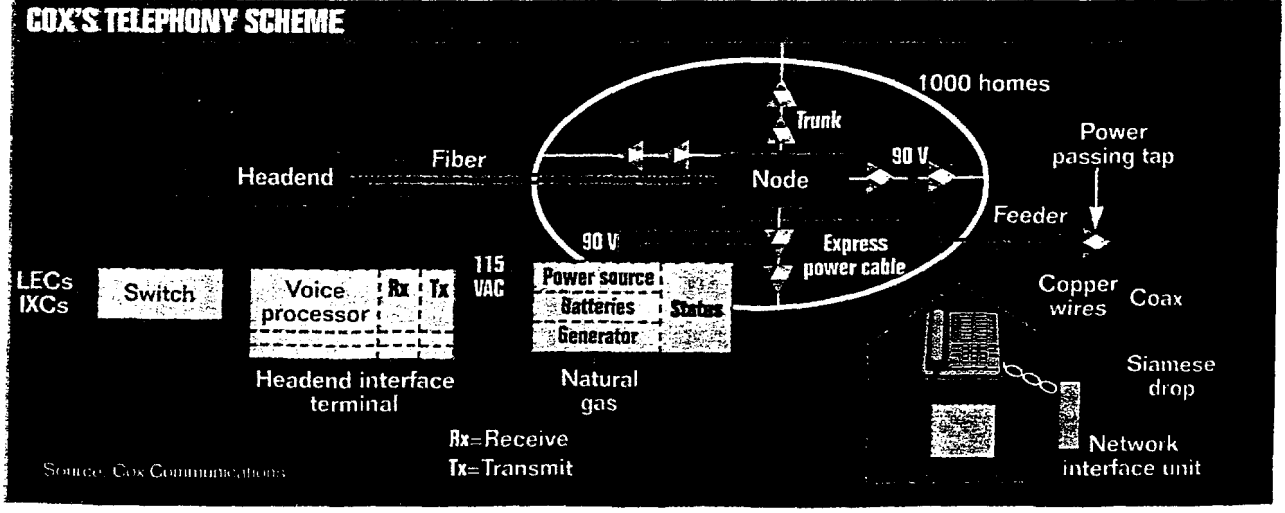
FIGURE 2
COX'S TELEPHONY SCHEME



Source: Cox Communications

Study partners

Two big players in the cable space, Cox Communications and MediaOne have no qualms when it comes to exchanging information about offering telephony. They have, in a sense, become comrades. In a fairly young sector—and one that has often faced adversity—Cox and MediaOne have formed a bond based on similar experiences. Like classmates working on the same project, they swap ideas and help each other.

"Our philosophies are very similar because we are both convinced telephony was the right thing to do," says Greg Braden, vice president of MediaOne's digital telephone services. "We are always comparing notes on what we are learning."

Working on cable telephony has been educational for Braden, who has been with MediaOne since before it was spun off from U S West in June 1998. Similar to Cox when it began offering telephony, MediaOne faced obstacles Braden calls the "usual suspects." These include external hurdles such as acquiring interconnection agreements with the incumbent carriers. The company started offering telephone service nearly two years ago, and in that time, MediaOne has exceeded the market penetration rate its business plan originally predicted.

But as far as Braden is concerned, the company has only skimmed the surface. "We are quite a ways away from becoming a consistent, well-oiled machine [that] we need to be in this competitive environment," he says. However, Braden expects the pending merger with AT&T will give the company a competitive edge and more market penetration.

Braden

As for internal challenges, MediaOne has had to make sure that its infrastructure is in place and that its cable plant is upgraded to handle voice traffic. Ensuring lifeline capability was critical before moving forward, as was having all of its switches positioned correctly. But all of that was fairly easy compared with the task of finding the right people to make it all happen flawlessly. "We have to make sure there are enough people with the skills required to understand this line of business," Braden says.

This is of the utmost importance because "we are taking MediaOne through a metamorphosis from being a cable company to being a broadband company," he adds.

The telephony team includes individuals with telephone, interexchange carrier and competitive local exchange carrier backgrounds, as well as cable. MediaOne employs between 1000 and 1500 people who deal with some aspect of the telephony service offering daily. "We are excited to work in a growing side of the market, where we are the competitor and not a 100-year-old player," Braden says.

The company successfully drives fiber down to the neighborhood level, and to ensure service is reliable, it does not exceed 500 homes per node. As fiber and optical prices have dropped, the standard number of homes has become 250 per node.

In his nearly 21 years with the company, Braden does not recall MediaOne ever moving into new territory unless everyone at the company knew how they might be affected. "We did a lot of homework up front to understand what could be done across cable networks," he says. "We have a great deal of experience, and we are building a strong customer base quickly, proving that this is a viable business strategy."

MediaOne currently offers telephony service in seven markets, including the Los Angeles, Detroit, New Hampshire, Massachusetts, Richmond, Va., Atlanta and Jacksonville and Pompano Beach, Fla., areas. It plans to offer service in the Minneapolis and St. Paul, Minn., and Fresno/Stockton, Calif., soon. After service is launched in these markets, the majority of its cluster systems will be upgraded for telephony.

"We will continue to expand to fulfill the promise of the Telecommunications Act to offer robust, healthy competition," Braden says.

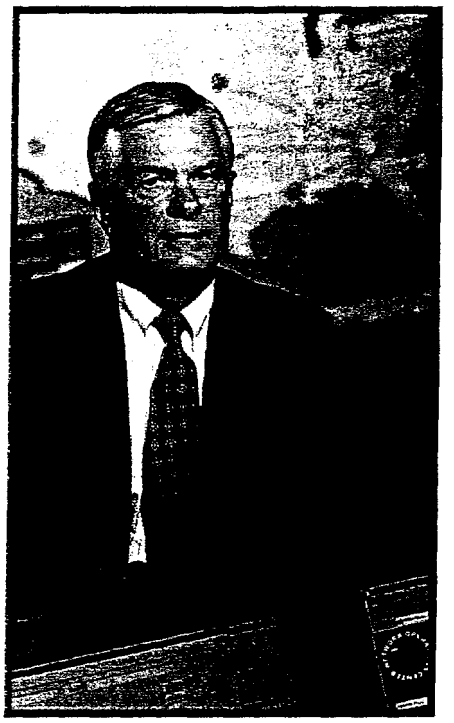
Concerning the evolution toward IP, Braden maintains that MediaOne will continue to rely on circuit-switched technology because it is available and proven. But when packet switching offers a cost incentive and has the same robust characteristics as circuit switching, the company will employ it. "Circuit switching has allowed us to get into the market now and [transform] cable into a two-way broadband architecture," Braden says.

—Kelly Carroll

president of operations. "It gave us an opportunity to hook the customer one more way."

But before moving into one of its cable markets, the company first ensures that telephony will be a good business proposition by gauging the "readiness of the market," Bellville says.

Bellville joined Cox when it was



'If we wanted to be in the telephony business, we needed to provide service as good—if not better than—the RBOCs.'

—Alex Best, Cox

transitioning into a telephony service provider. Having gained insight into consumer behavior while working in AT&T's consumer product division, Bellville was instrumental in helping Cox introduce telephony service to its customers. "We approach a new product diligently and delicately and have no desire to launch a nationwide blast of advertising before we know we can deliver," she says.

After studying a particular market, Cox then looks beyond the potential demand for service. "We look at it as an integrated approach, not only con-

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1898
James M. Cox purchases the Dayton Evening (now Dayton Daily) News for $26,000.

1913
James M. Cox is elected governor of Ohio.

1920
Governor Cox is elected Democratic Party candidate for President of the United States. Is defeated by Warren G. Harding.

1934
Cox enters broadcasting by establishing WHIO in Dayton, Ohio, the first radio station in the Miami Valley.

1939
Cox enters the Atlanta market by acquiring The Atlanta Journal, which included WBS radio.

1957
James M. Cox Jr. succeeds Governor Cox as head of the family business after the death of his father.

1962
Cox enters the CATV business with the purchase of cable systems in Lewiston, Lock Haven and Tyron, Pa., followed by systems in California, Oregon and Washington.

1964
Cox Broadcasting, which operated cable systems and radio and TV properties, is established as a public company.

1974
Garner Anthony becomes chairman of Cox upon the death of James M. Cox Jr.

1984
Congress passes the Cable Communications Policy Act, deregulating rates but preserving local franchise authority in all other areas.

Cox Broadcasting becomes Cox Communications to reflect its position in both the broadcasting and the CATV industry.

1985
Cox Communications merges into Cox Enterprises, the private company that owned and operated the company's newspaper properties.

James O. Robbins is named president of Cox Cable Communications.

sidering if it is a market, but if there will be enough support in the back office," Bellville says. Cox currently is creating a fully integrated billing system to foster efficiency.

In each of the company's seven markets, there is a system that makes sure everything in a particular area is running smoothly, a setup that benefits customers. Cox operates in a very market-specific manner, realizing that needs of the San Diego market differ from those in Omaha, Woodrow says. "It is incumbent upon each [franchise] as to how it will take care of the demand."

Cox has been successful in launching services such as telephony, Woodrow says, but he stresses that execution is critical. "If we have more [services], we have to have more employees. The challenge is how to grow without going one bridge too far," he says. In anticipation of more people signing up for the service, Cox has stepped up its recruiting process, hiring people that will be geographically closer to its various growing markets.

The customer, of course

Cox and those at the company who work on the telephony initiative definitely have crossed the hump to where they know they can do it and do it well, Bellville says. "We are more bullish then ever on our telephony product. It allows us to be a communication company that is dealt with on a local basis." The proof, she says, comes with the customer. "Our approach paid off because churn is minimal, and customers are happy."

At the end of third quarter 1999, Cox had 81,000 residential customers, but it has targeted 1 million telephone-ready homes. "We have been especially pleased by the acceptance customers [have had] of telephony service. A couple of years ago, people would probably chuckle at the idea," Best says.

While Cox has a strong residential base of customers, it is aggressively pursuing the commercial marketplace. The network "passes hundreds of thousands businesses in our markets," Woodrow says. Although it was unable to give an exact figure of how many commercial business customers it has currently, Cox raked in $50 million in revenue in 1999 for commercial voice service, a small portion of which includes data, he said.

Cox's approach is to one-up the RBOCs. The service provider introduces RBOC customers to a potentially more attractive service offering and hopes to win them over. If customers switch providers, Cox assumes its new products and services will be adopted quickly. Although Woodrow considers all phone service to be essentially the same, Cox uses price to stand apart. A customer's first phone line is 10% cheaper than the incumbent carrier's offering. A second line costs 50% less, he says. The company charges 10¢ per minute for long-distance.

Today, people have a choice of telephony providers, thanks to the Telecom Act—and to companies that took risks.

"It is very healthy to have cable competing in telephony," says Boyd Peterson, vice president of consumer market convergence at The Yankee Group. "The residual benefits to the user will be strong." However, cable telephony providers are limited in how much of the market they can penetrate. "It will be fragmented in terms of where they offer service, but cable telephony cannot be measured against the mass market," he says.

"We have a degree of presumption," Woodrow says. "If we provide good customer service, we presume those customers would want other services from us."

IP: The next frontier

Cable has come a long way in a short number of years. Although skeptics might still give it a bad rap, it has shed its stigma. In fact, the word "stigma" causes

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1987
James C. Kennedy becomes chairman and CEO of Cox Enterprises, principal owner of Cox Communications.

1992
Cox Comm. becomes the first cable company to invest in Teleport Communications Group. It also makes the first PCS phone call using cable infrastructure.

Congress passes the 1992 Cable Act, re-regulating the industry.

1993
Cox Comm. begins delivering cable and telephone service in the U.K. through a partnership with SBC CableComms.

1995
Forms the Sprint Telecommunications Venture with Sprint, TCI and Comcast and wins licenses to deliver PCS wireless communications in 31 major metro areas.

1996
Congress passes the Telecom Act of 1996, deregulating the industry.

Cox launches Sprint PCS in San Diego and announces its partnership with Frontier Corp. to offer long-distance service.

Trades CATV systems with Tele-Communications Inc. and U S West Media Group to form clusters for the purpose of providing voice, video and high-speed data services. As a result, Cox expands cluster systems in Hampton Roads, Va., New England, Omaha, Phoenix and Louisiana.

1997
Cox's Orange County, Calif., operation is the first in the nation to deliver high-speed Internet access, local and long-distance switched telephone service and digital video over one network.

Launches the facilities-based Cox Digital Telephone service in Rancho Santa Margarita, Calif.

1998
Purchases the cable operations in Tucson, Ariz., and Las Vegas.

1999
Signs agreements to acquire Multimedia Cablevision operations serving 522,000 customers in Kansas, Oklahoma and North Carolina from Gannett; 495,000 customers in Baton Rouge, La., and Tulsa, Okla., from AT&T cable operations.

In addition, it gains 883,000 customers in Texas, Arkansas, Louisiana and four other states from TCA Cable and 264,000 customers in northern Virginia from Media General.

'[Telephony] gave us an opportunity to hook the customer one more way.'

—Maggie Bellville, Cox

Woodrow to cringe when he hears that. "There are not a lot of complaints today," he says. He assures that the negative connotations are anecdotal from 1991, long before Cox began its telephony offering.

Beyond telephony, the company is looking to roll out its high-speed Internet service throughout its service areas and to add more channels to its cable service.

Despite the buzz surrounding IP, Cox doesn't believe that its an economical solution yet. The company has researched IP but likely won't move toward it for two or three years. However, Cox is working with vendors to develop its migration strategy and is planning IP telephony trials for next year.

Cable telephony does not need to be in any rush to hit the IP road, says The Yankee Group's Peterson. In fact, cable telephony providers "should be applauded because if they want to be competitive in telephony, they cannot [do it] over IP," he says.

But other cable companies, such as Comcast, are moving more aggressively toward IP. In November, Comcast announced that it would work with Lucent Technologies to test cable telephony over IP via its cable network in Union, N.J.

For now, Cox is intent on upgrading all of its cable plants, which it expects might be completed sometime in 2001. With that completed, Cox can focus on delivering value-added services to its consumers. To make this thing work, Cox has to prove it is the right option.

"Our butts are on the line to make this successful," Woodrow says.